

Mega retailer **Toys 'R Us Inc.** plans to close 27 of its **Toys 'R Us** stores and 37 Kids 'R Us stores by year's end, including locations in **Ontario**, Fontana and Montclair, company officials said Thursday.

The closures are intended to enhance future cash flow and operating earnings. During the last fiscal year ending in February, **Toys 'R Us Inc.** generated \$2.6 billion in revenue, slightly down from \$2.7 billion the previous year.

"We're going to be folding some of our Kids 'R Us stores into (existing) **Toys 'R Us** stores," spokeswoman Carol Fuller explained. "We've been working through this for five months."

Kids 'R Us stores in Montclair and Cerritos are closing Sunday and will not be merged with other locations, company representatives said. The Kids 'R Us in Fontana is also closing Sunday, but that store will be folded into the **Toys 'R Us** there.

Ontario has two **Toys 'R Us** stores. The one next to **Ontario Mills** will stay open, but another store on Mountain Avenue is scheduled to close by the end of January, company representatives said.

The **Toys 'R Us** in San Bernardino closed late last year. Another **Toys 'R Us** store in Anaheim closed during the past two weeks.

Earlier this year, company Chairman and CEO John Eyler indicated that the stores targeted for closure were "cash-flow positive, but were not meeting our return objectives."

The company's new "combo stores" - which merge **Toys 'R Us** and Kids 'R Us merchandise - are performing well, Eyler said.

"We are convinced that the new prototypes and combo stores represent the optimal strategic choices for the Kids 'R Us division," he said.

Toys 'R Us stores typically are about 45,000 square feet, while Kids 'R Us stores are 21,000 square feet. Fuller declined to say how many employees work at each store.

In January, the company said it planned to eliminate 1,900 store and headquarter positions companywide and consolidate its store support-center facilities.

The reorganization is expected to increase cash flow and yield improvements in pre-tax earnings of about \$25 million this year and approximately \$45 million annually beginning in 2003.

"I think they are keeping their head above water," said Jim Ragan, a senior equity analyst with Crowell Weedon & Co. in Los Angeles. "They're upgrading their stores with a new format that is supposed to be more visual and more interactive with customers."

Wall Street, he said, is looking to see better results from the toy retailer - a company that faces increasingly tough competition from Wal-Mart and Target.

"I think there's still room for **Toys 'R Us**," he said. "A lot of other companies just don't do as good a job. Many of the other stores have fewer items on their shelves."

The Paramus, N.J., retailer operates 688 **Toys 'R Us** stores nationwide, in addition to 174 Kids 'R Us stores and 173 Babies 'R Us locations.

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